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**LIBERTY UTILITIES
(PARK WATER) CORP.**

**GENERAL OFFICE
TEST YEAR 2022**

APPLICATION NO. _____

Table of Contents

CHAPTER I – INTRODUCTION.....	1
CHAPTER II – ALLOCATION FACTORS.....	11
CHAPTER III – GENERAL OFFICE EXPENSE	18
A. INTRODUCTION	18
B. PAYROLL AND PAYROLL RELATED EXPENSES.....	18
1. Organization Restructuring.....	18
C. DIRECT CHARGED PAYROLL	29
D. OTHER EXPENSES	29
E. HEAD OFFICE ALLOCATIONS-OAKVILLE, CANADA.....	30
CHAPTER IV – GENERAL OFFICE DEPRECIATION.....	37
A. INTRODUCTION	37
B. DEPRECIATION RATES.....	37
CHAPTER V – GENERAL OFFICE PLANT AND RATE BASE.....	39
A. INTRODUCTION	39
B. CORPORATE-WIDE JOBS.....	39
Miscellaneous Corporate Improvement Projects.....	39
C. DEPARTMENTAL CAPITAL EXPENDITURES.....	41
D. RATE BASE.....	42
CHAPTER VI - COST OF CAPITAL.....	44

List of Tables

TABLE 1–1 SIMPLIFIED APUC CORPORATE STRUCTURE	6
TABLE 1–2 ILLUSTRATION OF APUC CORPORATE COST DISTRIBUTIONS	7
TABLE 1–3 ILLUSTRATION OF LU-CANADA CORPORATE COST DISTRIBUTIONS	8
TABLE 1–4 ILLUSTRATION OF LU-CANADA SHARED SERVICES COST DISTRIBUTIONS	9
TABLE 1–5 ILLUSTRATION OF LUSC COST DISTRIBUTIONS	10
TABLE 2–1 ALGONQUIN POWER & UTILITIES CORP. (APUC) - 2021 CAM	14
TABLE 2–2 LIBERTY UTILITIES CANADA – (LU CANADA) – 2021 CAM.....	15
TABLE 2–3 LIBERTY ALGONQUIN BUSINESS SERVICES (LABS) - 2021 CAM.....	16
TABLE 2-4 LIBERTY UTILITIES (PARK WATER) CORP. WEST REGION – 2021 CAM	17
TABLE 3 – LIBERTY UTILITIES (PARK WATER) CORP. – GENERAL OFFICE (DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP. - DOMESTIC ...	32
TABLE 3 – 2 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE (DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP. - IRRIGATION	33
TABLE 3 – 4 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE (DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP. - YERMO	34
TABLE 3 – 5 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE (DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY UTILITIES (PARK WATER) CORP. - CENTRAL BASIN	35
TABLE 3 – 6 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE (DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY UTILITIES (PARK WATER) CORP. – MESA CREST	36
TABLE 6-M DEPRECIATION RATES – LIBERTY PARK WATER.....	38
TABLE 7-M LIBERTY UTILITIES (PARK WATER) CORP. – GENERAL OFFICE	
RATEBASE SUMMARY - ALLOCATED	43
TABLE 11-M LIBERTY PARK WATER & SUBSIDIARIES COST OF CAPITAL	45

CHAPTER I – INTRODUCTION

This report provides information required of Liberty Utilities (Park Water) Corp. (“Liberty Park Water”), f/k/a Park Water Co. (“Park”), in a general rate case (“GRC”) application for filing with the California Public Utilities Commission (“Commission”). The rate case plan, Decision 07-05-062 (“RCP”), requires Liberty Park Water to file its General Office report with the GRC application filed by its subsidiary, Liberty Utilities (Apple Valley Ranchos Water) Corp. (“Liberty Apple Valley”), f/k/a Apple Valley Ranchos Water Company (“AVR”). References to the workpapers (“WP”) are included throughout the report and are indicated by brackets [WP].

In California, water service is provided within and around the Town of Apple Valley in San Bernardino County by Liberty Apple Valley, a wholly owned subsidiary of Liberty Park Water. Water service is provided in Los Angeles County by the Central Basin Division, an operating unit of Liberty Park Water. As discussed below, Liberty Park Water is a wholly owned subsidiary of Western Water Holdings LLC, which is owned by Liberty Utilities Co. (“LUCo”). LUCo is indirectly owned by Algonquin Power & Utilities Corp. (“APUC”). APUC is publicly traded on the New York Stock Exchange and the Toronto Stock Exchange. APUC is headquartered in Oakville, Canada, which is in the province of Ontario. APUC, through its subsidiary, LUCo, owns electric, gas, water and sewer distribution utilities in the United States (U.S.), Canada, Chile and Bermuda that, as at December 31, 2020 provided distribution services to approximately 1,086,000 connections. Table 1-1 shows a streamlined illustration of APUC’s corporate structure.

Previously, water and sewer services were provided in Apple Valley by Jess Ranch Utilities, Inc. (“JRU”), a wholly owned subsidiary of Park. On January 1, 1997, JRU was merged into AVR. Park purchased the Town of Apple Valley’s water system on November 17, 1998 and sold AVR’s sewer division to the Town of Apple Valley on September 2, 1999. These transactions resulted in sewer service being provided by the Town of Apple Valley to all residents of the Town with water service being provided by AVR to the customers within its service territory.

Park previously had a subsidiary, Santa Paula Water Works, Ltd. (“SPWW”), which provided water service in and around the City of Santa Paula in Ventura County. On January 2, 1996, SPWW’s utility assets were condemned by the City of Santa Paula through an eminent domain order. SPWW was subsequently dissolved in 2014.

1 Another wholly-owned subsidiary, Mountain Water Company (“Mountain”), provided
2 water service within and around the City of Missoula in Montana. On June 15, 2016, the Missoula
3 District Court ruled in favor of the City of Missoula in its eminent domain case, giving the city the
4 right to acquire Mountain’s utility assets. Although Mountain appealed the District Court’s ruling,
5 the Montana Supreme Court upheld the ruling and, as a result, in June, 2017, the City of Missoula
6 took over Mountain’s utility assets. While Mountain continues to exist as a company, it has no
7 employees and is no longer operating as a public utility. Accordingly, there are no direct charges
8 or allocations of expenses or rate base to Mountain.

9 In D.15-12-029, issued December 17, 2015 (the “Liberty Transfer Decision”), the
10 Commission approved the joint application of LUCo, Liberty WWH Inc., Western Water Holdings
11 LLC (“WWH”), Park, and AVR and authorized the merger of Liberty WWH, Inc. with and into
12 WWH. The transaction was consummated and closed on January 8, 2016. As a result, LUCo
13 acquired WWH, Park and AVR.

14 LUCo’s ultimate parent company is APUC, which is also the parent company of Algonquin
15 Power Company (“APCO” or “Liberty Power”). Liberty Power owns approximately 1,150 MW
16 of renewable generation in Canada and the United States, including wind, solar, hydro and thermal
17 facilities. The output of most of these facilities are the subject of long term purchase agreements
18 with unrelated parties. There are three APCO entities that generate electricity in California, which
19 are Algonquin Power Sanger, LLC, Algonquin SKIC 10 Solar, LLC, and Algonquin SKIC 20
20 Solar, LLC, and none of which are located in Liberty Park Water or Liberty Apple Valley’s service
21 area.

22 As a result of the transaction approved in the Liberty Transfer Decision, the formal names
23 of Park and AVR were changed to Liberty Utilities (Park Water) Corp. and Liberty Utilities (Apple
24 Valley Ranchos Water) Corp., respectively. Additionally, as a result of the transaction, Liberty
25 Park Water has a Commission-regulated electric affiliate in California, Liberty Utilities (CalPeco
26 Electric) LLC (“Liberty CalPeco”), which provides electric service to approximately 49,000
27 customers in the Lake Tahoe area. In addition to providing shared services to Liberty Apple Valley
28 and its Central Basin Division, shared services are now provided by the Liberty Park Water
29 General Office to Liberty CalPeco.

30 In January 2017, LUCo restructured and regionalized its multi-state regulated utility
31 operations into three regions – West, Central, and East – and established a regional management

1 team for each of the newly formed regions. Liberty Park Water and Liberty Apple Valley are part
2 of LUCo's West Region, which is made up of LUCo's regulated utilities located in Arizona,
3 California, and Texas. In connection with this restructuring, Liberty Park Water's Downey office
4 became the regional headquarters for the new West Region.

5 Liberty Park Water, at its General Office in Downey, provides engineering, financial,
6 information technology, regulatory, legal, and water quality services to the Central Basin Division,
7 Liberty Apple Valley and Liberty CalPeco. In submitting this report, Liberty Park Water seeks to
8 determine the appropriate allocation of the Liberty Park Water General Office expenses and rate
9 base among Central Basin Division, Liberty Apple Valley, and Liberty CalPeco. The RCP treats
10 the General Office as if it was a district and requires utilities with multiple districts or subsidiaries
11 to file the General Office report on a three-year cycle. Liberty Park Water's General Office was
12 last filed on January 2, 2018 in A.18-01-002 and A.18-01-003, the last GRC for Liberty Park Water
13 and Liberty Apple Valley.

14 Additionally, shared services are provided by APUC, Liberty Utilities (Canada) Corp.
15 ("LU-Canada"), and Liberty Utilities Service Corp. ("LUSC") to Liberty Park Water and Liberty
16 Apple Valley. APUC provides executive and financing services to each of its subsidiaries. LU-
17 Canada employs personnel located in Canada that provide shared corporate services to subsidiaries
18 of LUCo as well as to subsidiaries of APCO. LUSC employs the majority of the U.S. based
19 employees who are dedicated to regulated utility companies. LUSC also employs certain shared
20 corporate support service personnel.

21 APUC provides financial, strategic management, corporate governance, administrative and
22 support services to LUCo. The services provided by APUC are necessary for LUCo and its
23 regulated subsidiaries (including Liberty Park Water and Liberty Apple Valley) to have access to
24 capital markets to fund capital projects and operations. APUC incurs three types of costs that are
25 passed on to its subsidiaries. First, APUC's costs that directly benefit a particular unregulated
26 company are directly charged to that unregulated company. Second, APUC's costs that directly
27 benefit a particular regulated company, which are directly assigned to that regulated company.
28 Third, APUC's remaining costs that benefit the entire organization, regulated and unregulated, are
29 allocated between regulated and unregulated companies pursuant to APUC's Cost Allocation
30 Manual ("CAM"). (See Table 2-1 for an illustration of APUC's allocation of costs per CAM).
31 APUC charges labor rates for shared services at cost, which is the dollar hourly rate per employee

1 as recorded in APUC's payroll systems, grossed up for burdens, such as payroll taxes, health
2 benefits, retirement plans, other insurance provided to employees, and other employee benefits.
3 Table 1-2 (APUC Corporate Cost Distribution) shows an illustration of APUC's distributions of
4 these three types of costs.

5 LU-Canada provides shared corporate support services, including, accounting,
6 administration, corporate finance, human resources (including training and development),
7 information technology, rates and regulatory affairs, environment, health and safety, security,
8 customer service, procurement, risk management, legal, and utility planning services. Shared
9 services are referred to as Liberty Algonquin Business Services ("LABS"). LU-Canada incurs
10 three types of costs. First, LU-Canada's costs that directly benefit a particular regulated company
11 are charged directly to that regulated company. Second, LU-Canada's costs that benefit all of the
12 LUCo's regulated companies are allocated using the CAM as shown in Table 2-2. Third, LU-
13 Canada's costs that only benefit an unregulated company are directly charged to APCO. Table 1-
14 3 shows an illustration of LU-Canada Corporate Cost Distribution.

15 With the exception of Liberty Park Water, Liberty Apple Valley, and Liberty CalPeco,
16 LUSC employs all regulated utility employees of LUCo in the United States. All employees' labor
17 costs and associated labor costs, such as benefits and insurance, are paid by LUSC and directly
18 charged to the company to which the employee is dedicated and performs work. LUSC also
19 employs some individuals who provide shared services including IT, compliance, regulatory and
20 government relations, environmental, health, safety, and security, procurement, and customer
21 communication. Costs distributed by LUSC include those from shared services employees where:
22 a) the function benefits both LUCo and APCO businesses and b) the function benefits some or all
23 of the regulated utilities within LUCo. Consistent with the shared services practices described
24 above, costs that are directly attributable to a particular regulated company are charged directly to
25 that regulated company. Shared services that benefit both regulated (LUCo's operating companies)
26 and unregulated businesses (APCO) within APUC are provided within Liberty Algonquin
27 Business Services ("LABS"). The type of U.S. shared services that benefits LUCo and APCO is
28 referred to as LABS U.S. The LABS U.S. costs for services from the shared services staff and
29 functions within LUSC that cannot be directly assigned are allocated between the regulated and
30 unregulated business units, LUCo and APCO, and are distributed in the same manner as the shared
31 services staff and functions within LU-Canada. The costs allocated from LUSC to the regulated

1 companies as a group are then reallocated to individual utility companies within LUCo using the
2 Utility Four-Factor Methodology set forth in Table 2 of the APUC CAM, resulting in utility
3 specific allocated charges from LUSC. It should be noted that LABS is a business unit within both
4 LUSC and LU-Canada. As described above, LABS staff within the U.S are employed within
5 LUSC. LABS staff located in Canada are employed by LU-Canada. LABS Canada staff is further
6 divided into two groups – Business Services and Corporate Services.

7 Tables 1-4 and 1-5 illustrate the cost distribution for shared services provided by LU-
8 Canada and LUSC.

9 Under the APUC CAM allocation methodology, the services provided by APUC, LU-
10 Canada, LUSC, and the Liberty Park Water General Office to Liberty Park Water and Liberty
11 Apple Valley are charged to them based on the benefit received by them. Moreover, each shared
12 services entity provides separate and distinct services to Liberty Park Water and Liberty Apple
13 Valley that are not duplicative of the services provided by the others.

14 Chapter II discusses the APUC CAM allocation methodology used in allocating the costs
15 of the shared services described above. It also discusses how the APUC CAM allocation
16 methodologies are used to allocate the Liberty Park Water General Office rate base, investment
17 tax credits and tax depreciation on General Office plant among the Central Basin Division, Liberty
18 Apple Valley, and Liberty CalPeco.

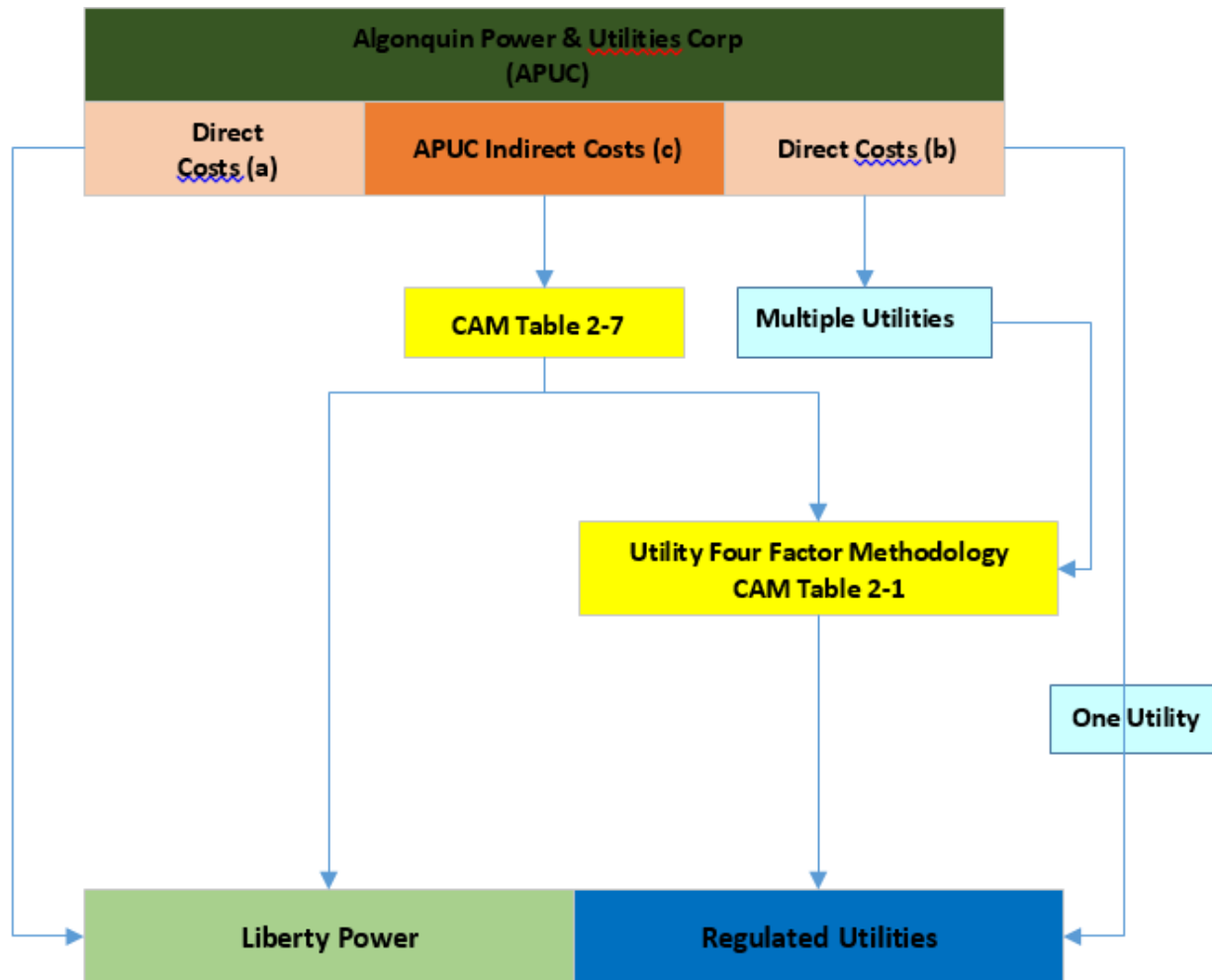
19 Chapter III covers the development of the Liberty Park Water General Office expenses.
20 Chapter IV covers the straight-line remaining life depreciation study performed on the General
21 Office plant and the resulting revisions to depreciation rates. The development of the General
22 Office plant and rate base is covered in Chapter V.

23 The sixth and final chapter on Cost of Capital briefly references the Commission's current
24 process pertaining to Cost of Capital proceedings for Class A water utilities, the current decision
25 applicable to Liberty Park Water and Liberty Apple Valley, and its next Cost of Capital proceeding
26 schedule.

TABLE 1-1 SIMPLIFIED APUC CORPORATE STRUCTURE



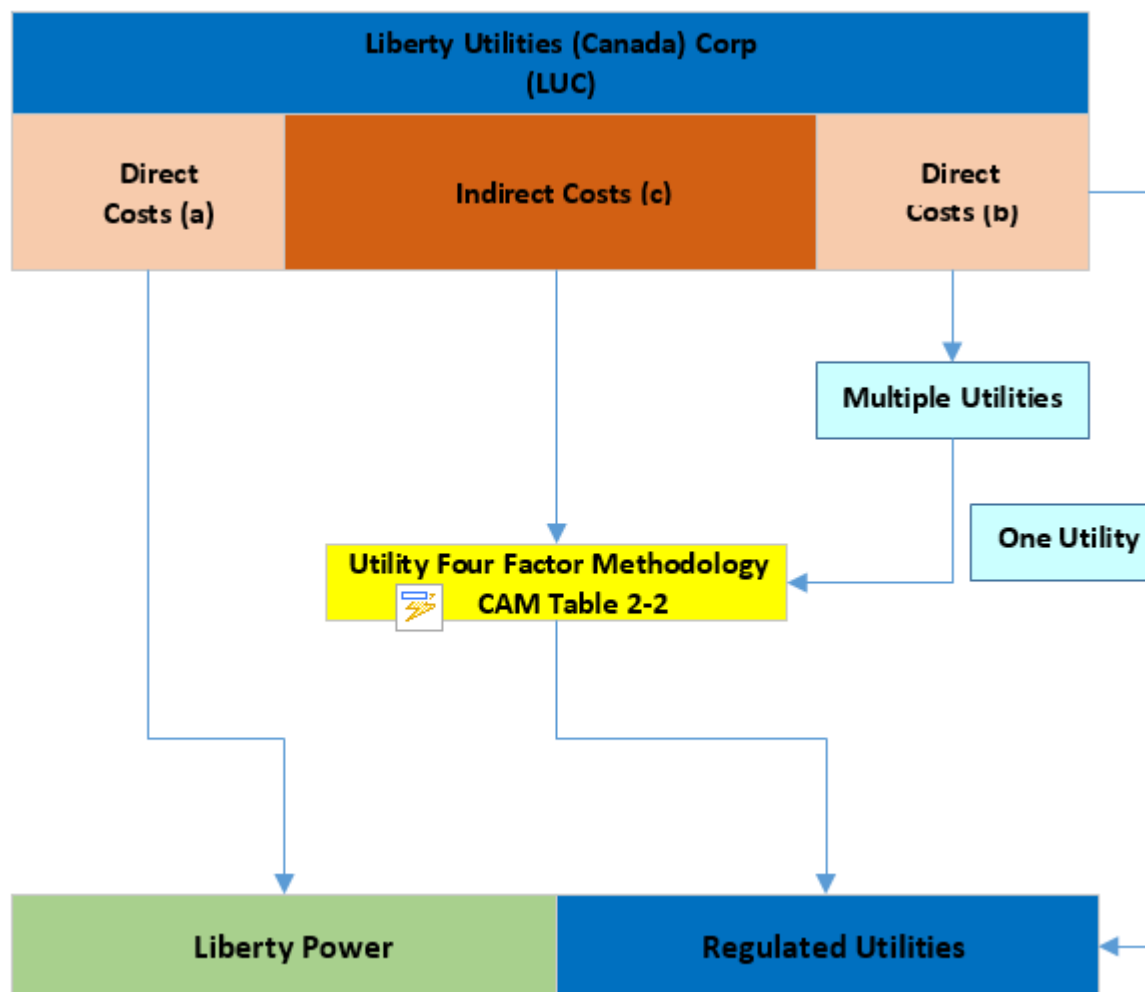
TABLE 1–2 ILLUSTRATION OF APUC CORPORATE COST DISTRIBUTIONS



Notes:

- (a) Costs that are directly assignable to unregulated companies.
- (b) Costs that are directly assignable to one regulated company, or that benefit all regulated operations.
- (c) Costs that benefit both unregulated and regulated operations.

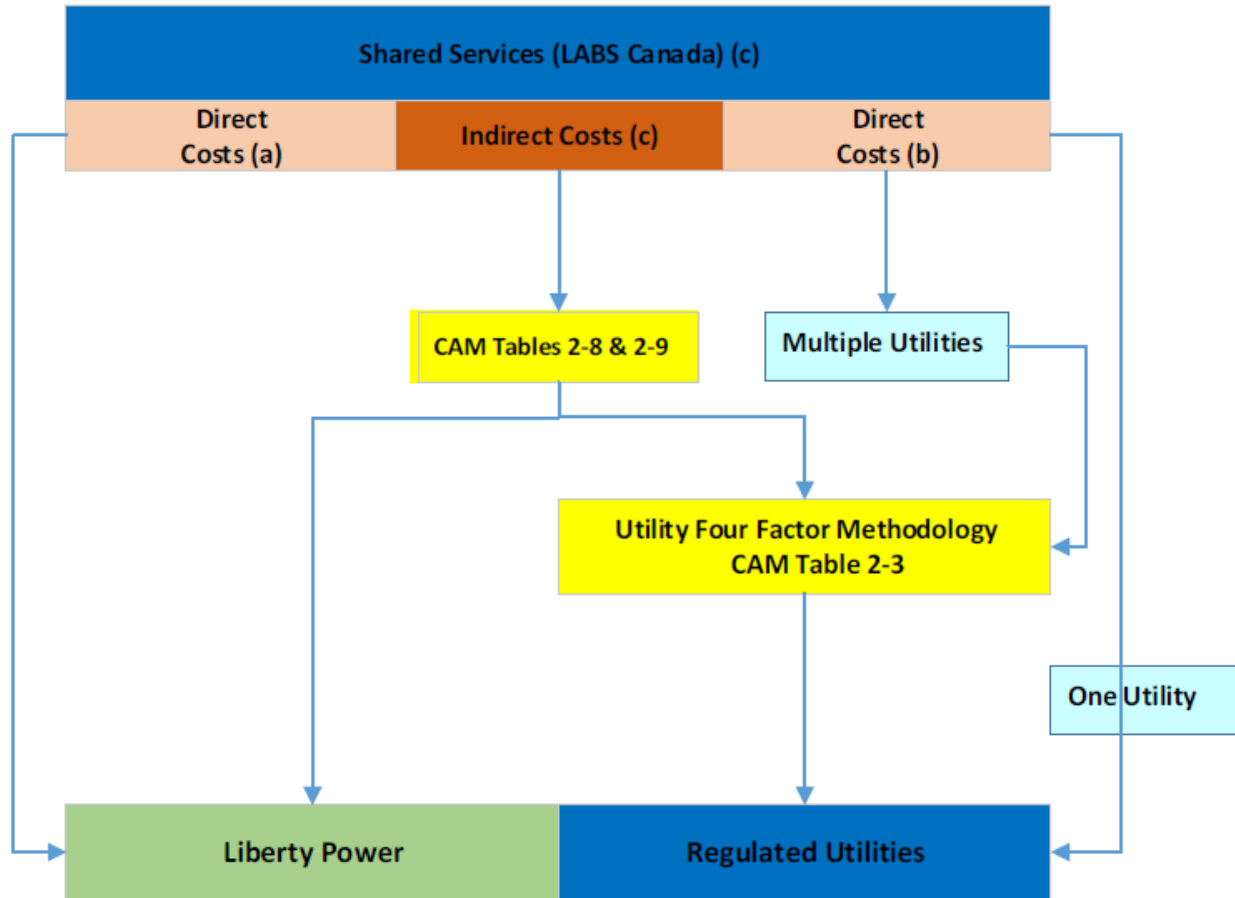
TABLE 1-3 ILLUSTRATION OF LU-CANADA CORPORATE COST DISTRIBUTIONS



Notes:

- (a) Costs that are directly assignable to unregulated companies.
- (b) Costs that are directly assignable to one or more specific regulated companies.
- (c) Costs that benefit all regulated operations.

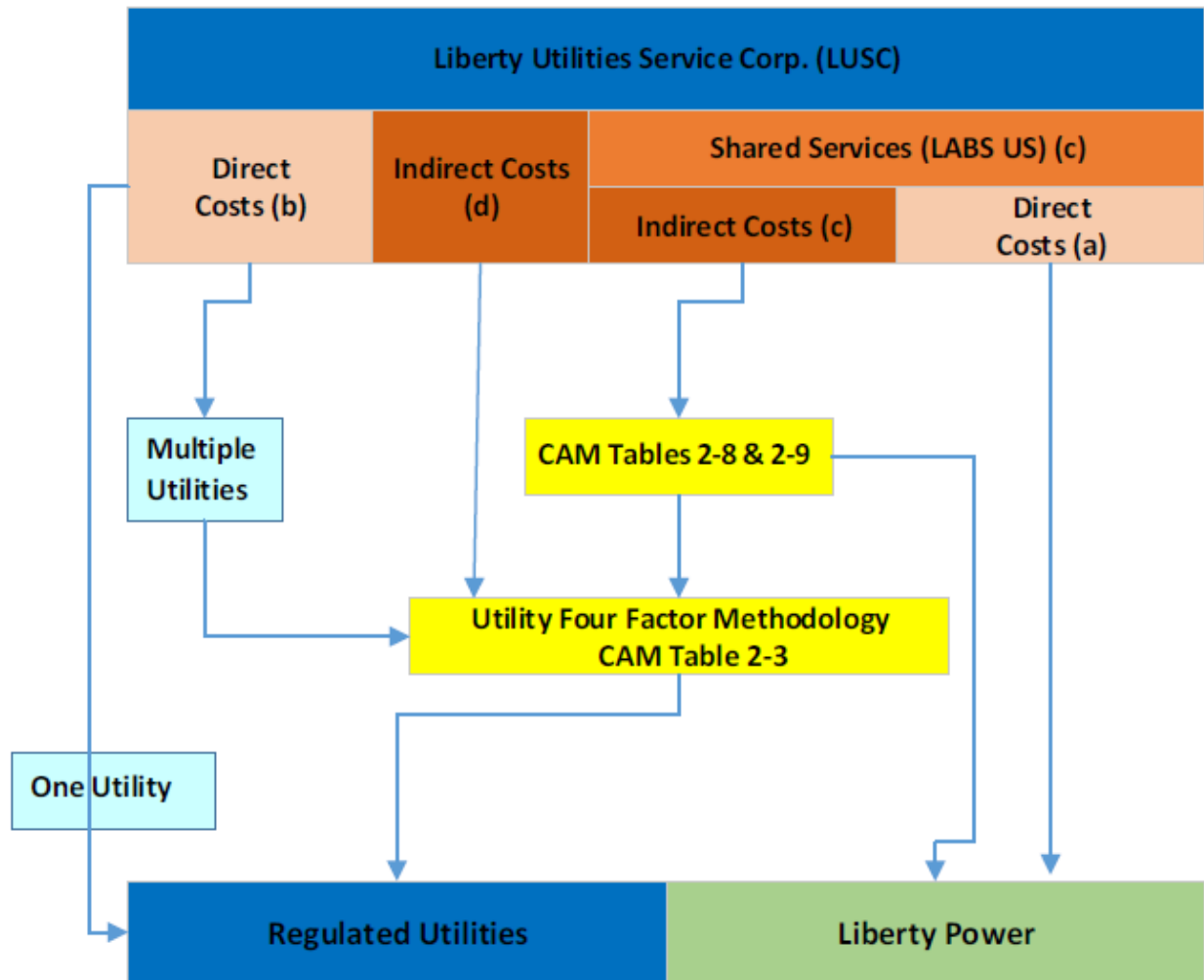
TABLE 1–4 ILLUSTRATION OF LU-CANADA SHARED SERVICES COST DISTRIBUTIONS



Notes:

- (a) Costs that are directly assignable to unregulated companies.
- (b) Costs that are directly assignable to one or more regulated companies.
- (c) Costs that benefit both unregulated and regulated operations.

TABLE 1-5 ILLUSTRATION OF LUSC COST DISTRIBUTIONS



Notes:

- (a) Costs that are directly assignable to unregulated companies.
- (b) Costs that are directly assignable to regulated companies.
- (c) Costs that benefit both unregulated and regulated operations.

CHAPTER II – ALLOCATION FACTORS

Allocation factors are used only when costs cannot reasonably be identified as being chargeable to a specific division or subsidiary. When costs or charges are not separately identifiable, they are allocated between the divisions and subsidiaries. The Algonquin Power & Utilities Corp. (“APUC”) Cost Allocation Manual (“CAM”) is used to allocate the shared services and corporate costs from APUC, Liberty Utilities (Canada) Corp. (“LU-Canada”), Liberty Utilities Co. (“LUCo”), Liberty Utilities Services Corp (“LUSC”), West Region, California Operations, and California – Water Only Operations. The CAM is also used to allocate the Liberty Park Water General Office rate base to Liberty Apple Valley and its Central Basin Division.

As previously noted, Liberty Park Water and Liberty Apple Valley are part of LUCo’s West Region. Shared services that are applicable to all entities in Arizona, Texas, and California, including Liberty Park Water, Liberty Apple Valley and Liberty CalPeco, are classified as West Region. Shared services that are applicable to all three California entities – Liberty Park Water, Liberty Apple Valley, and Liberty CalPeco – are classified as California Water and Electric Operations. Shared services only applicable to Liberty Park Water and Liberty Apple Valley are classified as California Water Operations. The Liberty Park Water General Office employees are classified as West Region Shared Services.

The allocation factors shown here are the latest available at the time this application is being prepared. During the course of the proceeding, updated allocation factors based on recorded 2020 audited data will become available and Liberty Park Water shall provide them to Commission Staff for incorporation into the expense estimates.

In addition to the allocation of the shared services expense, there are allocations of plant for the purpose of determining rate base and depreciation. Liberty Park Water’s General Office and Central Basin Division utilize the same facility in Downey. Additionally there are some Liberty CalPeco employees based in Downey. Office building land, general structure, and office furniture and equipment (recorded on Central Basin Division’s books) and all of the plant on General Office’s books are allocated based on 2021 Building Utilization Study. [WP 5-52 – 5-58].

As discussed in Chapter I, LUCo is the upstream owner of Liberty Park Water and Liberty Apple Valley and LU-Canada, the parent company of LUCo, is a wholly owned subsidiary of APUC. There are two corporate groups, APUC and the shared services department of LU-Canada, that provide certain shared services to APUC entities, including LUCo and its regulated utilities.

1 As a publicly traded holding company, APUC is able to provide unique benefits to its
2 regulated utilities and generation facilities, including access to capital markets and specialized
3 financial, strategic management, corporate governance, administrative and support services, by
4 providing such services on a centralized basis. With respect to such services, APUC can efficiently
5 provide them for all of its client entities who do not separately incur labor costs employing
6 personnel to perform such functions. Non-labor costs are allocated between LUCo and APUC
7 using the method summarized in Table 1 of the APUC CAM. The CAM is based on the guidelines
8 set by the National Association of Regulatory Utility Commissioners (“NARUC”).

9 LU-Canada provides LUCo (and its regulated utility subsidiaries) with accounting,
10 administration, corporate finance, human resources (including training and development),
11 information technology, rates and regulatory affairs, environment, health and safety, and security,
12 customer service, procurement, risk management, legal and utility planning on a consolidated
13 basis. These services provided by LU-Canada vary from and are not duplicative of the services
14 provided by the Liberty Park Water General Office. For example, LU-Canada provides for the
15 development, placement, and administration of insurance coverage and employee benefit
16 programs. This service is no longer provided for by Liberty Park Water. Even where certain
17 functions (*e.g.*, human resources and accounting) resides in both entities, LU-Canada plays a
18 leadership role in shaping policies and initiatives while the implementations and day-to-day
19 management of those policies and initiatives lies with the Liberty Park Water General Office.

20 LU-Canada will direct charge or assign costs that can be directly attributable to a specific
21 utility. Those costs include direct labor and direct non-labor costs. Indirect LU-Canada costs,
22 however, cannot be directly attributed to an individual utility. Within the formal organizational
23 structure, LU-Canada provides certain services that benefit the entire company. Those indirect
24 shared business services and corresponding costs are allocated between APCO and LUCo using
25 the “multifactor” methodology shown in the CAM. After the indirect costs are allocated between
26 APCO and LUCo, the indirect labor and indirect non-labor costs attributable to LUCo, including
27 capital costs, are then reallocated to its regulated utilities using the Utility Four Factor
28 Methodology shown in Table 2 of the APUC CAM. This methodology uses a 40%/20%/20%/20%
29 weighting to each of the four factors (Customer Count, Non-Labor Expenses, Labor, and Utility
30 Net Plant), respectively.

1 As previously stated, the CAM incorporates the Cost Allocation Principles found in the
2 NARUC guidelines, including the following:

- 3 1. To the maximum extent practicable, in consideration of administrative costs, costs
4 should be collected and classified on a direct basis for each asset, service or product
5 provided (NARUC Guidelines at 2, B.1).
- 6 2. The general method for charging indirect costs should be on a fully allocated cost
7 basis. Under appropriate circumstances, regulatory authorities may consider
8 incremental cost, prevailing market pricing or other methods for allocating costs
9 and pricing transactions among affiliates (NARUC guidelines at 2, B.2).
- 10 3. To the extent possible, all direct and allocated costs between regulated and non-
11 regulated services and products should be traceable on the books of the applicable
12 regulated utility to the applicable Uniform Systems of Accounts. Documentation
13 should be made available to the appropriate regulatory authority upon request
14 regarding transactions between the regulated utility and its affiliates (NARUC
15 guidelines at 2, B.3).
- 16 4. The allocation methods should apply to the regulated entity's affiliates in order to
17 prevent subsidization from, and ensure equitable cost sharing among, the regulated
18 entity and its affiliates, and vice versa (NARUC Guidelines at 2-3, B.4).
- 19 5. All costs should be classified to services or products, which, by their very nature,
20 are regulated, non-regulated, or common to both (NARUC Guidelines at 3, B.5).
- 21 6. The primary cost driver of common costs, or a relevant proxy in the absence of a
22 primary cost driver, should be identified and used to allocate the cost between
23 regulated and non-regulated services or products (NARUC Guidelines at 3, B.6).
- 24 7. The indirect costs of each business unit, including the allocated costs of shared
25 services, should be spread to the services or products to which they are related using
26 relevant cost allocators (NARUC Guidelines at 3, B.7).

27 The CAM follows the above-stated principles and prudently allocates the incurred
28 corporate costs for shared services to Liberty Park Water and Liberty Apple Valley and the other
29 regulated and non-regulated entities under the APUC umbrella.

TABLE 2-1 ALGONQUIN POWER & UTILITIES CORP. (APUC) - 2021 CAM

	Entity				
Summary	APCO	LU	Ascendant	ESSAL	Total
Legal Costs	15.93%	65.29%	10.53%	8.25%	100.00%
Tax Services	19.44%	63.70%	10.96%	5.90%	100.00%
Audit	19.44%	63.70%	10.96%	5.90%	100.00%
Investor Relations	19.44%	63.70%	10.96%	5.90%	100.00%
Director Fee & Insurance	19.44%	63.70%	10.96%	5.90%	100.00%
Licenses, Fees, and Permits	19.44%	63.70%	10.96%	5.90%	100.00%
Escrow & transfer Agent Fees	19.44%	63.70%	10.96%	5.90%	100.00%
Other Professional Services	19.44%	63.70%	10.96%	5.90%	100.00%
Office Administration Costs	19.92%	68.67%	5.01%	6.39%	100.00%
Executive and Strategic Management	19.44%	63.70%	10.96%	5.90%	100.00%

TABLE 2–2 LIBERTY UTILITIES CANADA – (LU CANADA) – 2021 CAM

Entity	Allocation %
Summary	
Liberty Water (AZ)	6.58%
Liberty Water (TX)	0.99%
Calpeco	6.95%
Granite State	4.72%
Energy North	10.81%
Midstates Gas	6.99%
Midstates Water	0.73%
Pine Bluff	1.63%
Woodson-Hensley	0.04%
Georgia	5.56%
New England Gas	6.29%
Whitehall - Water	0.17%
Whitehall - Sewer	0.18%
Park Water	5.46%
Empire	37.63%
New Brunswick Gas (Enbridge Gas)	2.66%
St Lawrence Gas	2.48%
Tinker Transmission	0.11%
	100.00%

TABLE 2–3 LIBERTY ALGONQUIN BUSINESS SERVICES (LABS) - 2021 CAM

Department	Entity		
	LP (APCO)	LU	Total
<u>Business Services</u>			
Business IT (9801)	9.2%	90.8%	100.00%
HR (9810)	8.5%	91.5%	100.00%
Total Rewards (9811)	8.5%	91.5%	100.00%
L&D (9812)	8.5%	91.5%	100.00%
SHE&S (9815)	8.5%	91.5%	100.00%
Insurance Services (9821)	22.8%	77.2%	100.00%
Legal (9823)	18.8%	81.2%	100.00%
Purchasing (9825)	12.9%	87.1%	100.00%
Facilities (9826)	33.3%	66.7%	100.00%
FP&A (9827)	22.8%	77.2%	100.00%
Executive (9860)	22.8%	77.2%	100.00%
<u>Corporate Services</u>			
Corporate IT (9800)	9.2%	90.8%	100.00%
Finance (9820)	22.8%	77.2%	100.00%
Treasury (9822)	18.4%	81.6%	100.00%
Internal Audit (9824)	19.6%	80.4%	100.00%
Compliance (9828)	22.8%	77.2%	100.00%
Communications (9870)	8.5%	91.5%	100.00%
Regulatory Compliance (9833)	0.00%	100.00%	100.00%

**TABLE 2-4 LIBERTY UTILITIES (PARK WATER) CORP.
WEST REGION – 2021 CAM**

CALIFORNIA WATER OPERATIONS

Cost Center	CAM Factor %
Liberty Park Water - Central Basin	50.87%
Liberty Park Water - Mesa Crest	2.90%
Liberty Apple Valley - Domestic	45.32%
Liberty Apple Valley - Irrigation	0.09%
Liberty Apple Valley - Yermo	0.82%
	100.00%

CALIFORNIA WATER & ELECTRIC OPERATIONS

Cost Center	CAM Factor %
Liberty Park Water - Central Basin	21.83%
Liberty Park Water - Mesa Crest	1.21%
Liberty Apple Valley - Domestic	19.28%
Liberty Apple Valley - Irrigation	0.04%
Liberty Apple Valley - Yermo	0.34%
Liberty CalPECO	57.30%
	100.00%

WEST REGION SHARED SERVICES

Cost Center	CAM Factor %
Liberty Park Water - Central Basin	14.05%
Liberty Park Water - Mesa Crest	0.83%
Liberty Apple Valley - Domestic	12.56%
Liberty Apple Valley - Irrigation	0.03%
Liberty Apple Valley - Yermo	0.23%
Liberty CalPECO	38.10%
Liberty Water	34.20%
	100.00%

CHAPTER III – GENERAL OFFICE EXPENSE

A. INTRODUCTION

This chapter presents the costs from shared services provided by APUC, LU-Canada, LUSC, and the Liberty Park Water General Office to Liberty Apple Valley and Liberty Park Water. Tables 3-1 through 3-5 show the details of the General Office Expenses for estimated years 2022, 2023, and 2024. These tables also show the portion of such expenses that are allocated to Liberty Park Water and Liberty Apple Valley-Domestic, Liberty Apple-Irrigation, and Liberty Apple Valley-Yermo.

B. PAYROLL AND PAYROLL RELATED EXPENSES

Payroll for 2022 is estimated based on employees' hourly rates in effect at the end of 2021, estimates of merit salary adjustments to be granted during 2022 by individual employees, and overtime and incentive pay by individual employee. In addition, the applicable burden rate is applied to the individual employee's total base payroll and account for the benefits and related expenses. The payroll for 2023 is estimated in corresponding fashion. This information should be reviewed by Staff and incorporated into the Test Year payroll estimates.

Detailed calculations are contained in Section 2 of the General Office workpapers. In addition to base wage compensation, the Company offers various incentive programs based on position level, including Short Term Incentive Plan ("STIP"), Long Term Incentive Plan ("LTIP"), and Shared Bonus Pool ("SBP"). These incentive programs are designed to encourage and motivate performance, be competitive with other companies, attract and retain talent, and align the interest of employee with the long term interests of the utility and its customers. Detailed calculations are contained in Section 4 of the Revenue Requirement Report workpapers. [WP 2-9 – 2-17]

1. Organization Restructuring

In 2016, LUCo initiated an enterprise-wide process to standardize job titles and responsibilities for all of its regulated operations in the United States ("2016 Job Standardization Initiative"). Additionally, in January 2017, LUCo implemented a regionalization reorganization pursuant to which its U.S. regulated subsidiaries were placed into one of three regions – East, Central, or West – with a regional management team for each of the newly formed regions ("2017 Liberty Reorganization"). In December 2016, as part of the 2016 Job Standardization Initiative, Liberty Park Water standardized all of its positions to align with the standard job

titles/responsibilities and related standard job families established by LUCo, resulting in title changes for most of the current positions and changes in responsibilities for some of the current positions. As part of the 2017 Liberty Reorganization, Liberty Park Water and Liberty Apple Valley became part of the new West Region, which comprises LUCo's regulated utilities located in Arizona, California, and Texas. In addition, Liberty Park Water's Downey office became the regional headquarters for the new West Region.

The 2016 Job Standardization Initiative and the 2017 Liberty Reorganization were presented and authorized in Liberty Park Water's last GRC. The following sections identify both the new and the repurposed positions for West Region Shared Services and California Water and Electric Operations that occurred after Liberty Park's last GRC as part of the regionalization and restructuring of Liberty Park Water. The number () indicates the number of employees in each particular position.

West Region Shared Services

a. Finance

In 2020, the accounting groups within each entity, including Liberty Park Water and Liberty Apple Valley, were regionalized and consolidated into the West Region. The new West Region Finance department is a consolidation of all accounting employees in the region, including California, Arizona, and Texas. There are a total of 25 positions in the group. As shown in the chart below, under the new regional structure, the finance department was reorganized into three primary functions: general accounting, financial planning and analysis, and tax.

General Accounting	Financial Planning and Analysis	Tax
<ul style="list-style-type: none">• Revenue accounting• Regulatory accounting• Plant accounting• Accounts payable• Payroll• Inter-company allocations• Account reconciliations• Other general accounting activities	<ul style="list-style-type: none">• Management reporting• Variance analysis• Forecasting• Budgeting• Other reporting and analysis as requested by corporate and management	<ul style="list-style-type: none">• Income tax planning and compliance• Deferred income taxes• State and local taxes

1 In the last GRC for Liberty Park Water and Liberty Apple Valley, a total of eleven
2 accounting/finance/tax positions were authorized. The authorized positions for Liberty Park Water
3 and Liberty Apple Valley included the following:

- 4 • Manager, Financial Business Systems
- 5 • Manager, Accounting (2 positions)
- 6 • Staff Accountant (2 positions)
- 7 • Senior Accountant (2 positions)
- 8 • Manager, Finance
- 9 • Director, Finance
- 10 • Vice President, Finance and Administration
- 11 • Manager, Tax

12 The current positions for the West Region Finance department are described below.

13 Accountant (6)

14 This position is responsible for performing daily accounts payable transactions, monthly
15 journal entries, bank reconciliations, sales tax reporting, and assisting with month end financial
16 closing. This position is also responsible for posting daily cash batches, balancing bank
17 transactions, preparing and distributing accounts receivable reconciliations, and assigning and
18 maintaining financial work orders. Additionally, this position is responsible for providing support
19 for financial audits and rate case proceedings.

20 Accounting Clerk (2)

21 This position is responsible for processing high volumes of invoices and ensuring the
22 timely and accurate entry and payment of invoices into the Company's financial information
23 system in accordance with various policies and procedures. The position is also responsible for
24 providing support for financial audits and rate case proceedings.

25 Supervisor, Accounts Payable (1)

26 This position is responsible for supervising and overseeing the daily duties of the position
27 of Accounting Clerk, ensuring payment of invoices are processed timely and accurately in
28 accordance with Company's policies and procedures. This position manages vendor payment
29 terms, accounts payable aging and payments to mitigate credit risks, and month-end expense
30 accrual process. This position is also responsible for providing support for financial audits and rate
31 case proceedings.

32 Manager, Finance (3)

1 This position is responsible for providing management and leadership for financial
2 functions for all of the utilities in the West Region including Liberty Park Water and Liberty Apple
3 Valley. The position is responsible for the areas of accounts receivable, accounts payable, accruals,
4 cash, revenue and expense transactions, general ledger and system management, and fixed asset
5 tracking. The position also coordinates, reviews, and approves journal entries, account
6 reconciliations, budgets, forecasts, and financial operations. The position also plans, organizes,
7 directs, controls, and manages the activities of the department staff. The position is responsible for
8 managing developer line extension agreements including refund calculations and payments. This
9 position is also responsible for the coordination of internal external audits and provides support
10 for regulatory proceedings.

11 Senior Accountant (5)

12 This position is responsible for performing accounting and analytic functions to accurately
13 prepare and support the Company's financial statements and related disclosures. This includes
14 performing monthly intercompany billing to the parent company and the West Region utilities,
15 coding of intercompany billing received from the parent company and the West Region utilities,
16 preparing monthly allocation journal entries, and preparing monthly intercompany allocation
17 analysis for the West Region utilities. The position also provides supports to audits and regulatory
18 proceedings.

19 Senior Financial Analyst (3)

20 This position is responsible for the following monthly deliverables: Management Report,
21 Variance Analysis, Capital Spend Analysis, and Performance Measurement. This position is also
22 responsible for supporting the preparation of budgets and forecast deliverables.

23 Senior Manager, Finance (2)

24 This position is responsible for providing management and leadership for financial
25 functions for all of the utilities in the West Region including Liberty Park Water and Liberty Apple
26 Valley. The position is responsible for the areas of accounts receivable, accounts payable, accruals,
27 cash, revenue and expense transactions, general ledger and system management, and fixed asset
28 tracking. This position is responsible for the supervision of the department staff. This position
29 communicates with the regional and corporate finance department for proper recording and
30 transmission of financial or related information. This position is responsible for the coordination
31 of internal and external audits and Sarbanes-Oxley ("SOX") compliance activities. This position

1 is responsible for the management of plant accounting including developer line extension
2 agreements (to include refund calculations and payments.) This position assists and provides all
3 required documentation for rate cases for the utilities in the West Region. This position reviews
4 the financial performance of the utilities in the West Region and supports the development of
5 budgets and forecasts.

6 Director, Financial Planning & Analysis (1)

7 This position has responsibility for the financial reporting, analysis and forecasting
8 function for the West Region. This position leads the preparation of monthly management
9 reporting of financial and operational results for the utilities in the West Region. The financial and
10 operational results include profit and loss statements, balance sheets, capital expenditures, cash
11 flow, and key performance indicators. This position provides ad hoc financial support to state and
12 regional management and also manages the timing of capital expenditures. This position is
13 responsible for the development and monitoring of a strong control environment, with adherence
14 to internal controls, policies and procedures, SOX requirements and GAAP.

15 Vice President Finance (1)

16 The position of Vice President, Finance and Administration was authorized in the prior
17 Liberty Park Water GRC. As the result of the regionalization, the position title was revised to Vice
18 President, Finance. This position is responsible for managing and overseeing the finance function
19 for all utilities in the West Region.

21 Manager, Tax (1)

22 The position of Manager, Tax was authorized in the prior Liberty Park Water GRC. The
23 overall responsibility for this position has not changed.

24 **b. Communications**

25 The Communications department is responsible for internal and external communications
26 for the West Region. There are a total of five positions in the department.

27 In the last GRC for Liberty Park Water, a total of three positions were authorized. The
28 authorized positions for Liberty Park Water and Liberty Apple Valley were the positions of
29 Administrative Assistant (2) and Program Manager, Water Resources and Community Relations.
30 As a result of the regionalization, these positions were consolidated into the West Region

1 Communications department. The next section contains a description of the repurposed positions
2 in the West Region Communications department, as described below.

3 Senior Manager, Marketing & Communications (1)

4 This position oversees the internal and external communications for the utilities within the
5 West Region. The primary purpose of this position is to lead and manage a team responsible for
6 the following functions:

- 7 • All customer and employee communications, media relations and marketing for Liberty
- 8 Utilities in the West Region;
- 9 • Enhancing customer satisfaction through continual communications improvements;
- 10 • Increasing employee engagement through the development and implementation of
- 11 employee marketing and communications campaigns;
- 12 • Developing and maintaining consistent messaging across all communications channels
- 13 that supports both the local and corporate brand;
- 14 • Supporting and driving customer expansion (gas, sales, energy efficiency and franchise
- 15 expansion) through the creation and implementation of marketing campaigns; and
- 16 • Creating content and production of PUC-mandated newsletters/bill inserts, website and
- 17 social media posting.

18 This position also serves as a Company spokesperson and responds to all media inquiries.

19 Communications Coordinator (1)

20 This position is responsible for the development, implementation, and coordination of
21 public relations and community outreach activities within the Customer Experience department
22 for the utilities within the West Region. The position is responsible for assisting with strategic
23 planning and developing communications collateral for a variety of customer and stakeholder
24 events including hosted and invited events. This position provides support in the implementation
25 of Company initiatives, programs, and other special projects.

26 Digital Media Coordinator (1)

27 This position is responsible for the development, implementation, and coordination of
28 public relations and community outreach activities within the Customer Experience department
29 for the utilities within the West Region. The position is responsible for digital customer
30 communications, preparation of digital outreach materials, updates and maintenance of the
31 Company's website, and updating and monitoring social media channels for the utilities within the

West Region. This position is responsible for creating content including writing, photography and videography for internal communications and the external website and social media platforms.

Regional Program Manager, External Communications (1)

This position is responsible for public relations, customer communications, and preparation of outreach materials. This position is also responsible for maintenance of the Company's website and social media presence.

Regional Program Manager, Internal Communications (1)

This position is responsible for being an ambassador of Liberty Utilities by supporting and communicating the Company brand, culture, initiatives, and programs internally across the West Region. This position develops and manages all internal/employee communications, including creating and sending internal emails, newsletters, and maintenance of the West Region intranet. This position is responsible for the coordination of company meetings including the preparation of agendas and the implementation of other programs and initiatives that support employee performance.

c. Engineering

Senior Manager, GIS (1)

The position of GIS Coordinator was authorized by the Commission in the prior Liberty Park Water GRC. As a result of the regionalization, this position was repurposed to the position of Senior Manager, GIS (West Region). This position manages GIS development and maintenance efforts for all utilities in the West Region. This position provides supervision, direction, and training for GIS employees and users. This position is responsible for implementing and maintaining the GIS tools used for collecting and visualizing data needed to effectively operate and maintain the utility systems.

The position provides oversight in areas such collection and organization of facility data, database management, and effective use of GIS. This position also manages data extraction and the preparation of reports.

d. Customer Experience

Senior Manager, Customer Care

The position of Manager, Customer Care position was authorized by the Commission in the prior Liberty Park Water GRC. As a result of the regionalization, this position was repurposed to the position of Senior Manager, Customer Care. This position is responsible for establishing the

operational plan and leading all areas of the Customer Care function, including Customer Service, Billing and Collections for the utilities in the West Region. This position is responsible for the development of the employees in the Customer Care department. This position is responsible for the development and implementation of processes within the Customer Care function. This position is responsible for the delivery of high quality customer experience for all locations within the West Region service areas. Additional responsibilities of the position include:

- Achieving customer care objectives by contributing customer service, billing and collections information and recommendations to strategic plans and reviews; preparing and completing action plans, implementing to production, productivity, quality and customer service standards; resolving problems; successfully completing audits; identifying customer service trends; determining system improvements and effectively implementing change;
- Ensuring all customer concerns and complaints are investigated and resolved and maintaining an excellent working relationship with regulators, including keeping them informed on performance and special projects as required. Assisting customer care staff with resolution of complex customer account issues as needed;
- Creating and maintaining a customer-focused environment with a knowledgeable and empowered employee team capable of meeting the competitive challenges within their respective areas of responsibility;
- Leading corporate projects including the annual customer satisfaction survey deployment and follow up;
- Creating, reviewing and revising processes and procedures to increase customer interface efficiency and effectiveness;
- Ensuring customer service staff are working effectively and that processes are coordinated between work groups to provide the most efficient operations; and
- Formulating plans and implementing best practices for contact and walk-in centers in order to reduce cost and increase customer satisfaction.

e. Regulatory

Director, Rates and Regulatory Affairs (West Region) (1)

The position of Director, Rates and Regulatory Affairs was authorized in the prior Liberty Park Water GRC. As a result of the regionalization, the position was repurposed to the position of

Director, Rates and Regulatory Affairs (West Region). This position is responsible for managing and overseeing the rates and regulatory affairs function for all utilities in the West Region.

f. Supply Chain

Director, Supply Chain (1)

Liberty Park Water has added the new position of Director, Supply Chain (West Region). This position is responsible for planning and managing procurement, warehouse and facilities, and security activities for the utilities in the West Region. This position's responsibilities include analyzing current procurement processes, and developing and executing a procurement strategy focused on reducing costs and maximizing efficiencies. The position is also responsible for defining and implementing a warehousing strategy that optimizes the appropriate levels of inventory. Additionally, the position is responsible for negotiating and executing agreements that support operational objectives.

g. Human Resources

Talent Acquisition Manager (1)

The position of HR Business Partner was authorized by the Commission in the prior Liberty Park Water GRC. As a result of the regionalization, the position was repurposed to the position of Talent Acquisition Manager. This position is responsible for the recruitment and hiring of new employees for the utilities in the West Region. This position is responsible for preparing and posting job openings, selecting, screening, and interviewing potential applicants for employment with the utilities in the West Region including Liberty Park Water and Liberty Apple Valley.

h. Environmental Health & Safety (EHS)

Regional EHS Manager (1)

The position of Manager, EHS was authorized by the Commission in the prior Liberty Park Water GRC. As a result of the regionalization, the position was repurposed to the position of Regional EHS Manager. This position provides strategic direction and leadership in environmental, health and safety compliance for the utilities in the West Region. This position is responsible for implementing a workplace health and safety management system and has oversight of the environmental management system. Other responsibilities include:

- Proactively engaging with all employees across the West Region to grow their personal ownership of safety both inside and outside of the workplace;

- Working collaboratively with senior managers, local leaders, and EHS staff with regards to the development and implementation of company-wide EHS policies and procedures;
- Establishing monitoring programs for EHS compliance across the West Region;
- Implementing the accident investigation protocol to prevent recurrence of incidents and to ensure information on incidents is shared adequately across all regions; and
- Conducting and coordinating workplace safety audits of operating assets for the region.

California Water and Electric Operations

a. Regulatory

Senior Manager, Rates and Regulatory Affairs (1)

Due to increases in the number of Commission generic proceedings, compliance reporting requirements and rate filings for water and electric utilities, Liberty Park Water has added the new position of Senior Manager, Rates and Regulatory Affairs. This position supports and reports to the Director, Rates and Regulatory Affairs (West Region). The primary responsibility of this position is to coordinate, organize, and manage the preparation of rate and compliance filings to the state regulatory agencies for the California water and electric utilities. Additional responsibilities of the position include:

- Coordinating, facilitating and managing relationships with state regulatory agencies, including the CPUC;
- Providing written and oral testimony in regulatory proceedings before the CPUC and other state regulatory agencies;
- Developing and maintaining rate application models for California water and electric utilities;
- Assisting in forecasting rates and revenue requirements for California water and electric utilities;
- Organizing, managing and facilitating the completion of accurate and timely compliance filings to state regulatory agencies, including the CPUC;
- Leading and directing outside consultants for regulatory filings in California;
- Providing support to the Government Affairs department on proposed legislation in California;

- Developing regulatory strategies relating to capital projects, rate design, rate filings, operational matters, and other matters that require regulatory advice;
- Representing the Company in workshops at the CPUC and other state regulatory agencies;
- Ensuring that all regulatory filings are consistent with financial reporting;
- Performing impact analysis of new regulations from a quantitative perspective and identifying associated financial risks;
- Providing rate impact analysis of planned capital expenditures; and
- Coordinating the preparation of cost of service, depreciation, lead/lag and other studies used to support rate case applications at the CPUC.

b. Legal

Senior Legal Counsel

Due to increases in the number of Commission generic proceedings, compliance reporting requirements and rate filings for water and electric utilities, Liberty Park Water has added the new position of Senior Legal Counsel. This position supports and reports to the Director, Legal Services (California). This position is responsible for providing all necessary legal services for the utilities operating in California. This position works daily with the positions of State President and West Region President. This position supports legal matters for California with an emphasis on handling regulatory matters associated with governmental regulatory agencies and providing legal services relating to contracts, business matters, acquisitions and additional operational matters. Additional responsibilities of the position include:

- Acting as in-house subject matter authority on all regulatory, business and operational legal issues and working closely with local and regional leadership and the accounting, customer service, engineering, finance, operations and regulatory departments;
- Handling complex legal issues and providing advice and counsel related to utility regulation including litigation, tariff review, proposed legislation, compliance requirements and customer complaints;
- Providing research and writing as to regulatory requirements;
- Assisting in the preparation of filings and in the preparation of testimony in proceedings, including rate cases, representing the Company at the CPUC;
- Developing legal and business strategies relating to capital projects, regulatory filings, operational matters along with any other matters that require legal advice;

- Reviewing decisions of courts and regulatory agencies to determine precedent in regulatory and legal matters;
- Drafting and revising legal opinions, regulatory filings, and rules and regulations, including explaining and defending company goals and objectives;
- Advising on legal or other impacts of proposed changes in rules, regulations and applicable laws;
- Reviewing files, records and briefs and performing research on legal questions;
- Leading and directing outside legal counsel on matters in California;
- Representing the Company at industry workshops at the CPUC and other organizations;
- Managing execution of rate cases, including regulatory strategies, discovery responses;
- Preparing witnesses before and during proceedings and hearings before the CPUC;
- Assisting with due diligence relating to mergers and acquisitions, finance transactions and providing commercial advice and assistance to the finance, customer service, operations, engineering and regulatory departments;
- Assisting in preparation of financial and cost-based analyses to support future rates cases;
- Providing legal advice and representation in connection with general business matters (commercial transactions, contracts, standardized forms, lease agreements, etc.);
- Providing legal guidance, drafting and negotiating contracts relating to permitting and licensing, engineering and construction services, property rights, environmental regulation, vendor agreements and procurement;
- Monitoring and leading litigation proceedings; and
- Reacting and responding to external and internal queries and requests relating to various legal issues.

C. DIRECT CHARGED PAYROLL

Payroll is charged from Liberty Park Water's General Office to its Central Basin Division, Liberty Apple Valley, Liberty CalPeco, and Liberty Park Water for the time spent on activities that are specific to the particular division or entity. [WP 2-9 – 2-17]

D. OTHER EXPENSES

This category of expense consists of non-payroll related A&G expenses, ad valorem tax, and depreciation expense. Overall, the non-payroll related expenses are based on a five-year average of recorded expenses (2016-2020, with 2020 unaudited), escalated to the Test Year.

1 During the course of this proceeding, the final 2020 audited expenses will be provided to Staff.
2 [WP 2-9 – 2-17]

3 Depreciation expenses are developed in Chapter IV and result from the rates determined in
4 that chapter applied to the estimated plant balances developed in Chapter V. [WP 2-25]

5 Ad valorem tax estimates are calculated as a whole (Central Basin and General Office) and
6 then allocated based on utility plant balances. *See* calculation details in Section 5 of Central
7 Basin's workpapers.

8 Where expenses were impacted by the COVID-19 pandemic, the 2020 recorded expenses
9 were excluded from the estimated Test Year expenses because these are abnormal circumstances
10 and would not provide the best estimates. The following accounts are based on a four-year average
11 (2016-2019) and escalated by 3% annually to estimate the Test Year expenses. [WP 2-9 – 2-17]

- 12 • Account No. 7012 Electric
- 13 • Account No. 7014 Water
- 14 • Account No. 7030.1 Travel, Lodging & Misc.
- 15 • Account No. 7030.3 Business Meals
- 16 • Account No. 7040.1 Registration
- 17 • Account No. 7040.3 Education Materials
- 18 • Account No. 7040.4 Subscriptions
- 19 • Account No. 7040.5 Books
- 20 • Account No. 7040.6 Other
- 21 • Account No. 7050.1 Employee Membership
- 22 • Account No. 7060.3 Regular
- 23 • Account No. 7060.4 Express Mail

24 Income tax expenses are not calculated separately for the General Office. Instead, the
25 General Office tax depreciation and ITC cost of service reduction are allocated based on the four-
26 factor allocations and incorporated in the Liberty Park Water Income Tax calculations. Details for
27 the tax depreciation and ITC adjustment are shown in the workpapers. [WP Section 9]

28 **E. HEAD OFFICE ALLOCATIONS-OAKVILLE, CANADA**

29 As discussed in Chapters 1 and 2 above, APUC, LU-Canada, LUSC that includes the
30 business units of LABS (LABS Business Services, LABS Corporate Services, and LABS U.S.)
31 provide shared services to Liberty Park Water and Liberty Apple Valley. These indirect labor and

1 non-labor costs are estimated based on 2020 (2020 is unaudited) of recorded expense and escalated
2 to the Test Year. 2020 audited data will be provided to Staff during the course of this proceeding.

3 Further details, explanations and development of all expense estimates are included in the
4 workpapers provided with this report.

**TABLE 3 – 1 LIBERTY UTILITIES (PARK WATER) CORP. – GENERAL OFFICE
(DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY
UTILITIES (APPLE VALLEY RANCHOS WATER) CORP. - DOMESTIC**

	2022-2023	2023-2024	2024-2025
<u>TOTAL EXPENSE (NON-ALLOCATED)</u>			
PAYROLL TAX	5,477	5,653	5,846
PROPERTY TAX	96,148	102,053	109,393
DEPRECIATION	745,144	804,028	852,758
OTHER	13,590,078	14,014,204	14,404,275
TOTAL	<u>14,436,847</u>	<u>14,925,938</u>	<u>15,369,273</u>
<u>ALLOCATED EXPENSE</u>			
PAYROLL TAX	2,482	2,562	2,649
PROPERTY TAX	30,605	32,483	34,820
DEPRECIATION	204,155	219,950	233,173
OTHER	3,519,004	3,673,929	3,791,688
TOTAL	<u>3,756,246</u>	<u>3,928,924</u>	<u>4,062,330</u>

**TABLE 3 – 2 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE
(DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY
UTILITIES (APPLE VALLEY RANCHOS WATER) CORP. - IRRIGATION**

	2022-2023	2023-2024	2024-2025
<u>TOTAL EXPENSE (NON-ALLOCATED)</u>			
PAYROLL TAX	5,477	5,653	5,846
PROPERTY TAX	96,148	102,053	109,393
DEPRECIATION	845,144	804,028	852,758
OTHER	13,590,078	14,014,204	14,401,275
TOTAL	14,436,847	14,925,938	15,369,273
<u>ALLOCATED EXPENSE</u>			
PAYROLL TAX	5	5	5
PROPERTY TAX	62	67	71
DEPRECIATION	422	456	483
OTHER	7,348	7,659	7,900
TOTAL	7,837	8,187	8,459

**TABLE 3 – 3 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE
(DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY
UTILITIES (APPLE VALLEY RANCHOS WATER) CORP. - YERMO**

	2022-2023	2023-2024	2024-2025
<u>TOTAL EXPENSE (NON-ALLOCATED)</u>			
PAYROLL TAX	5,477	5,653	5,846
PROPERTY TAX	96,148	102,053	109,393
DEPRECIATION	745,144	804,028	852,758
OTHER	13,590,078	14,014,204	14,401,275
TOTAL	14,436,847	14,925,938	15,369,273
<u>ALLOCATED EXPENSE</u>			
PAYROLL TAX	45	46	48
PROPERTY TAX	554	586	629
DEPRECIATION	3,689	3,976	4,215
OTHER	63,658	66,457	68,585
TOTAL	67,946	71,065	73,477

**TABLE 3 – 4 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE
(DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY
UTILITIES (PARK WATER) CORP. - CENTRAL BASIN**

	2022	2023	2024
<u>TOTAL EXPENSE (NON-ALLOCATED)</u>			
PAYROLL TAX	5,477	5,653	5,846
PROPERTY TAX	96,148	102,053	109,393
DEPRECIATION	745,144	804,028	852,758
OTHER	13,590,078	14,014,204	14,401,275
TOTAL	14,436,847	14,925,938	15,369,273
<u>ALLOCATED EXPENSE</u>			
PAYROLL TAX	2,786	2,786	2,974
PROPERTY TAX	34,368	36,480	39,104
DEPRECIATION	229,273	247,014	261,863
OTHER	3,950,881	4,124,879	4,257,144
TOTAL	4,217,308	4,411,249	4,561,085

**TABLE 3 – 5 LIBERTY UTILITIES (PARK WATER) CORP. - GENERAL OFFICE
(DOWNEY, CALIFORNIA) SUMMARY OF EXPENSE ALLOCATION FOR LIBERTY
UTILITIES (PARK WATER) CORP. – MESA CREST**

	2022	2023	2024
<u>TOTAL EXPENSE (NON-ALLOCATED)</u>			
PAYROLL TAX	5,477	5,653	5,846
PROPERTY TAX	96,148	102,053	109,393
DEPRECIATION	745,144	804,028	852,758
OTHER	13,590,078	14,014,204	14,401,275
TOTAL	14,436,847	14,925,938	15,369,273
<u>ALLOCATED EXPENSE</u>			
PAYROLL TAX	159	164	170
PROPERTY TAX	1,961	2,083	2,232
DEPRECIATION	13,109	14,123	14,973
OTHER	226,354	236,267	243,815
TOTAL	241,583	252,637	261,190

CHAPTER IV – GENERAL OFFICE DEPRECIATION

A. INTRODUCTION

Presented in this chapter is information regarding the calculation of depreciation rates and the depreciation expense. The General Office depreciation rates were last reviewed in A.18-01-003 for Test Years 2019 and 2020, resulting in new rates being established effective July 1, 2019, pursuant to D.20-09-019.

In this proceeding, Liberty Park Water has prepared a new remaining life study to develop revised rates for the test years. [WP Section 3].

B. DEPRECIATION RATES

Depreciation rates proposed for use during the test years were calculated in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2020. Workpapers on these calculations are being furnished to the staff for their review. [WP Section 3]

In general, the revised rates were determined through the use of the appropriate Iowa Type Remaining Life Curves contained in U-4. The assumed values for Group Total Life were those used for the rates adopted in D.15-11-030. This application seeks to have the revised rates authorized effective July 1, 2022. Table -4-1 compares the presently authorized depreciation rates with those proposed in this application.

Depreciation expense estimates for 2022 are shown in Chapter III and depreciation reserve estimates for 2022 are discussed in Chapter V. Both the depreciation expense and reserve are calculated from the plant balances and the depreciation rates. [WP Sections 3 and 5]

TABLE 4 – 1 DEPRECIATION RATES – LIBERTY PARK WATER

PLANT DESCRIPTION	ACCOUNT NO.	DEPRECIATION	
		PROPOSED RATES	PRESENT RATES
ORGANIZATION COSTS	30100	0.00%	0.00%
OFFICE FURNITURE & EQUIP.	39100	0.00%	8.32%
TRANSPORTATION EQUIPMENT	39200	0.00%	1.10%
LABORATORY EQUIPMENT	39500	0.00%	0.00%
COMMUNICATION EQUIPMENT	39700	8.97%	12.13%
COMPUTER EQUIP. - SYSTEM	39800	9.98%	11.43%
COMPUTER EQUIP. - DESKTOPS	39830	34.75%	18.08%
COMPUTER EQUIP. - SOFTWARE	39840	4.38%	2.28%

CHAPTER V – GENERAL OFFICE PLANT AND RATE BASE

A. INTRODUCTION

This chapter contains tables showing the estimated utility plant in service and construction work in progress for estimated year 2021 and Test Years 2022 and 2023 and Escalation Year 2024. The estimates for plant additions are based on the capital budget for 2021 and proposed capital improvements for 2022, 2023 and 2024. Major company initiatives are discussed below. The details of all capital items, including the supporting cost calculations, are contained in the workpapers. [WP Section 5]

B. CORPORATE-WIDE JOBS

Miscellaneous Corporate Improvement Projects

Liberty Park Water relies on enterprise systems and infrastructure required to support company operations that are provided on a corporate-wide basis. Those systems and associated equipment require improvements to provide for a high level of service and reliability. An estimated amount for Liberty Park Water's portion of the costs is \$600,000 in 2021, \$650,000 in 2022, \$700,000 in 2023 and \$750,000 in 2024. Although the exact timing of these projects is still being developed at this time, the projects will include the following:

Server and Storage Infrastructure Upgrades – As existing hardware ages it becomes less reliable and reaches end of life or end of support. This prompts the need for replacements and upgrades. The ever increasing amount of data that is stored also requires the addition of storage capacity. In addition, the need for storage and performance increases each year as advancements in operating systems and software prompt the need for improved hardware. Even virtual servers require hardware to host the virtual farms. It is important to point out that the company server and storage infrastructure is quite extensive because it allows for replication of company data as needed to guarantee the integrity of the data. This ongoing work is done on an as-needed basis with an expected annual cost of approximately \$100,000 to \$150,000.

Network Upgrades – Portions of the existing networking infrastructure, such as routers, switches and firewalls are aging and in need of replacement. Network performance improvements and security considerations are key drivers for this need. These needs also include phone system improvements. As equipment is being replaced, standardized CISCO equipment is being installed to optimize maintenance and security efforts and consistency

1 throughout the Liberty utilities. The cost of this effort is estimated at approximately \$150,000 to
2 \$175,000 per year.

3 Security Upgrades – With the advent of more and more Cloud usage and with the ever
4 present cyber security threat, security upgrades and enhancements are an important need.
5 Examples of the types of security needs for Cloud usage and network protection are identity and
6 access management (IAM), application security, data security and intrusion detection. IAM
7 includes the use of SailPoint IdentityIQ technology and a series of projects to integrate higher
8 levels of security with the various IT systems. An additional security effort is the Security
9 Information and Event Management (SIEM) program, which is part of the formation of a
10 corporate IT security framework. The SIEM involves the selection and implementation of
11 software, services and assets to monitor, log, notify and analyze data which is used to maintain a
12 secure network. Other security needs include protection of OT/SCADA systems, protection of IT
13 networks and end-point management. Implementation of multi-factor authentication (MFA) for
14 IT network access is one of the efforts that is beginning to be undertaken. Liberty provides its
15 employees and authorized contingent workers with access to systems and applications from both
16 internal and external networked locations, using multiple devices. MFA provides a level of
17 protection against stolen passwords and devices, password hacks and other means to compromise
18 accounts. This program involves the enablement of PingOne MFA, PingID, integration with Ping
19 Federate SSO. It will integrate with Citrix--used to access critical business and operation
20 applications; Virtual Desktop Infrastructure (VDI)--used to provide a web portal access to select
21 applications; Virtual Private Network (VPN)--used to provide remote connectivity to the
22 corporate network; and Outlook Web Access (OWA)--used to provide a web portal access to
23 company email. The annual cost for security upgrades is estimated at \$150,000 to \$200,000.

24 Enterprise Application Upgrades – The various enterprise applications need to be
25 upgraded as needs change and existing applications reach end of life. Some of those applications
26 that will need improvement are SharePoint, VM Ware, Management and Support Software,
27 Financial Software and Web Applications. SharePoint upgrades are planned in order to better
28 manage data storage, improve workflow capabilities and to provide improved access. Liberty is
29 upgrading to the latest version of SharePoint in connection with upgrading to Office 365 using
30 software as a subscription based service. This is a cost effective way to replace the current
31 version, which is at the end of service life. Upgrading to this newer version does require work to

1 be completed to redevelop customized workflows; to migrate or rebuild libraries, lists, and
2 pages; to establish and enable access management; and to update, archive or delete obsolete
3 information which should not be migrated to the new SharePoint technology. VM Ware and IT
4 infrastructure management tools need upgrades to keep up with the ever increasing needs to
5 manage servers and the various components of our IT and OT infrastructure. Liberty plans to
6 improve its web site to make it as user friendly and useful as possible. To that end,
7 enhancements are being planned to provide an improved user interface for customers and other
8 users of the company website. Planned improvements include advanced usage profiles, online
9 payment options, outage and event notifications, conservation guidelines and the value of water
10 information.

11 A new enterprise application project is eGRC (Enterprise Governance Risk and
12 Compliance), a cloud based system to support the maturity of the company Governance, Risk
13 and Compliance Program. The system will provide improved capability to manage enterprise
14 and operational risks; enable the adoption of effective control monitoring; mitigate costs and
15 complexity of compliance requirements; and improve governance and oversight capabilities.

16 In addition, other various application upgrades will be needed as systems reach end of
17 life and as needed to meet emerging needs. The annual expenditure for enterprise applications is
18 approximately \$200,000 to \$225,000.

19 **C. DEPARTMENTAL CAPITAL EXPENDITURES**

20 The planned capital expenditures for the various Liberty Park Water Corporate departments
21 are listed in the Corporate Capital Budget submitted in the workpapers. For most departments, the
22 budget consists of replacement computers, communication equipment, and software upgrades
23 (Windows, Office, and Adobe). The computer equipment primarily consists of PCs or laptops,
24 and peripheral equipment, being replaced at a replacement rate of every three to four years based
25 on technical or software needs. Other types of computer equipment, which are replaced at a rate
26 longer than computers, consist of monitors, scanners and, for a few employees who conduct
27 sensitive business, personal printers (e.g., HR). In addition, company phones are replaced on a
28 two-year replacement cycle. The unit costs for computer hardware and software, monitors,
29 printers and cellular phones are based on estimates of current market prices.

1 **D. RATE BASE**

2 The office and yard in Downey services both the Central Basin Division and the General
3 Office. The portion of plant allocated to the General Office rate base was determined by a study
4 that was recently updated in 2021. The General Office rate base is allocated to the various
5 divisions of Liberty Park Water and its subsidiaries using the CAM factor method developed in
6 Chapter II. [WP 5-1]

7 Table 5-1 shows a summary of the General Office rate base allocated to Liberty Apple
8 Valley and Liberty Park Water. [WP 5-1]

9 All rate base component estimates shown in this chapter, for 2022 through 2024, are based
10 on Liberty Park Water's most recent capital budget [WP Section 5]. The 2020 recorded are based
11 on the most recent available recorded 2020 additions and retirements projected to the end of the
12 year. Depreciation reserve accruals, net salvage adjustments, and deferred tax reserve accruals
13 were calculated from these additions and retirements using procedures accepted in prior
14 proceedings and the depreciation rates shown in Chapter IV. The estimated balances in the
15 depreciation reserve reflect the estimated plant additions and retirements and the depreciation rates
16 developed in Chapter IV of this report. [WP Section 5]

17 Liberty Park Water's deferred income taxes (Central Basin and General Office) are
18 calculated together as a whole and then allocated based on utility plant balances. See discussions
19 in Chapter 9 of the Revenue Requirement Report. Workpapers are contained in Section 9 of the
20 Central Basin workpapers.

21 A separate Working Cash Allowance is not calculated for the General Office. Instead, the
22 CAM allocation of the appropriate General Office balance sheet accounts and the allocation of the
23 General Office expenses are incorporated in Liberty Apple Valley's and Liberty Park Water's
24 working cash calculation.

**TABLE 5 – 1 LIBERTY UTILITIES (PARK WATER) CORP. – GENERAL OFFICE
GENERAL OFFICE RATEBASE SUMMARY - ALLOCATED**

Description	Average Balance 2021	Average Balance 2022	Average Balance 2023	Average Balance 2024
AVR – Domestic	2,710,014	2,637,424	2,533,227	2,413,048
AVR – Irrigation	5,515	5,374	5,171	4,936
AVR – Yermo	48,982	47,668	45,781	43,607
Park – CB	3,043,235	2,961,777	2,844,842	2,709,960
Park – MC	173,691	169,055	162,398	154,716
CalPeco	2,085,425	2,098,578	2,118,512	2,126,030
Liberty Water	755,692	774,957	797,891	815,063
Total Ratebase	8,648,862	8,525,778	8,345,424	8,112,643

CHAPTER VI - COST OF CAPITAL

In accordance with the RCP, Liberty Park Water and other Class A water utilities file separate Cost of Capital applications outside of the GRC. Under the RCP, the Commission will consolidate the applications and process the cost of capital proceedings in a timely fashion and promptly incorporate the results in pending or existing rates.

Liberty Park Water has not included in this application, testimony regarding its capital structure, cost of long-term debt, and rate of return on equity. Liberty Park Water (jointly with Liberty Apple Valley) filed an application on May 1, 2018 (A.18-05-006) for the Cost of Capital for the period of 2019 – 2021. On December 13, 2018 the Commission issued D.18-12-002 authorizing the cost of capital, capital structure, cost of long-term debt, and return on equity, for Liberty Park Water and for the period 2019 – 2022. For the purpose of determining the revenue requirement in this application, Liberty Park Water has used the cost of capital, capital structure, cost of long-term debt, and return on equity, contained in D.18-12-002. Pursuant to the RCP, Liberty Park Water will file a cost of capital application on May 1, 2022 for its adopted cost of capital for the period July 1, 2022 – July 1, 2025.

Liberty Park Water's proposed capital structure, cost of long-term debt, rate of return on equity, and the result return on rate base for years 2022 – 2024 are shown in Table 6-1.

TABLE 6 – 1 LIBERTY PARK WATER & SUBSIDIARIES COST OF CAPITAL

	CAPITAL RATIO	COST FACTOR	WEIGHTED COST
<hr/>			
2022			
<hr/>			
LONG-TERM DEBT	43.00%	4.71%	2.03%
COMMON EQUITY	57.00%	9.35%	5.33%
TOTAL	<u>100.00%</u>		<u>7.35%</u>
2023			
<hr/>			
LONG-TERM DEBT	43.00%	4.71%	2.03%
COMMON EQUITY	57.00%	9.35%	5.33%
TOTAL	<u>100.00%</u>		<u>7.35%</u>
2024			
<hr/>			
LONG-TERM DEBT	43.00%	4.71%	2.03%
COMMON EQUITY	57.00%	9.35%	5.33%
TOTAL	<u>100.00%</u>		<u>7.35%</u>